

**Signet Armorlite
Europe Limited**
Report and Accounts

31 December 2003

Registered Number: 2108102



Signet Armorlite Europe Limited

Registered No. 2108102

DIRECTORS

M G Dingley (Managing Director)
G Brierley
B Salvadori
C Colombo
C J Stewart
C Hunt
M McCrea
A Pederzini

SECRETARY

C J Stewart

AUDITORS

Ernst & Young LLP
No 1 Colmore Square
Birmingham
B4 6HQ

BANKERS

HSBC Bank plc
The Cross
Gloucester
GL1 2AP

SOLICITORS

Tayntons
Clarence Chambers
8-10 Clarence Street
Gloucester
GL1 1DZ

REGISTERED OFFICE

Unit 1 Apollo
Olympus Business Park
Quedgeley
Gloucester
GL2 4NF

Signet Armorlite Europe Limited

DIRECTORS' REPORT

The directors present their report and the group accounts for the year ended 31 December 2003.

RESULTS FOR THE PERIOD

The group profit for the year, after taxation, amounted to £1,174,037 (2002: £1,424,914). Ordinary dividends of £150,000 (2002: £638,978) were paid during the year.

PRINCIPAL ACTIVITIES

The group's principal activities are the processing and distribution of ophthalmic lenses and associated products in the United Kingdom, Europe and other overseas markets, and the manufacture of ophthalmic moulds used in the manufacture of ophthalmic lenses.

REVIEW OF THE BUSINESS

2003 saw further enhanced trading of the Kodak lens branded products as they further established themselves as a leading premium lens in the market place.

This was due to increased trading from our Kodak surfacing, coating and glazing laboratory, which enables us to supply finished Kodak branded products direct to a retail customer base.

Investment in information technology continued in order to maintain flexibility of resource management.

DIRECTORS AND THEIR INTERESTS

The Directors at 31 December 2003 were as follows:

M G Dingley
G Brierley
B Salvadori
C Colombo (appointed 18 June 2003)
C J Stewart
C Hunt
M McCrea
A Pederzini

The Directors do not have any beneficial interest in the shares of the company.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by Section 310(3) of the Companies Act 1985.

CHARITABLE DONATIONS

During the year the group made donations to charity of £1,495 (2002: £1,560).

POST BALANCE SHEET EVENTS

As part of a group restructuring, on the 1 May 2004, the company acquired the whole of the issued share capital of Signet Armorlite Iberica SA, a company incorporated in Spain, from its parent company Signet Armorlite Incorporated. The principle business of Signet Armorlite Iberica SA is the processing and distribution of ophthalmic lenses and associated products throughout Spain.

DIRECTORS' REPORT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



C J Stewart
Secretary

Date 08-10-04

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SIGNET ARMORLITE EUROPE LIMITED

We have audited the group's financial statements for the year ended 31 December 2003 which comprise Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows, Group Statement of Total Recognised Gains and Losses and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

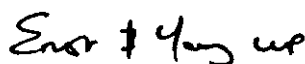
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP

Registered Auditor

Birmingham

Date 8 October 2004

Signet Armorlite Europe Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 31 December 2003

| | Note | 2003 £ | 2002 £ |
|--|------|------------|------------|
| TURNOVER | 2 | 18,901,871 | 19,931,519 |
| Cost of sales | | 12,091,312 | 12,979,079 |
| GROSS PROFIT | | 6,810,559 | 6,952,440 |
| Distribution costs | | 1,015,184 | 958,323 |
| Administrative expenses | | 4,172,610 | 4,158,872 |
| OPERATING PROFIT | 3 | 1,622,765 | 1,835,245 |
| Profit on disposal of tangible fixed assets | | 7,359 | 5,280 |
| Interest payable | 5 | (109,739) | (61,292) |
| Interest receivable | 6 | 61,035 | 153,109 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 1,581,420 | 1,932,342 |
| Tax on profit on ordinary activities | 7 | 407,383 | 507,428 |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 8 | 1,174,037 | 1,424,914 |
| Equity dividends paid | | 150,000 | 638,978 |
| RETAINED PROFIT TRANSFERRED TO RESERVES | 19 | 1,024,037 | 785,936 |

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2003

| | | 2003 £ | 2002 £ |
|--|----|-----------|-----------|
| Profit for the financial year attributable to members of the parent company | | 1,174,037 | 1,424,914 |
| Exchange difference on retranslation of net assets of subsidiary undertaking | 19 | 63,973 | 36,574 |
| TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR | | 1,238,010 | 1,461,488 |

Signet Armorlite Europe Limited

GROUP BALANCE SHEET

at 31 December 2003

| | Note | 2003 £ | 2002 £ |
|--|------|------------------|------------------|
| FIXED ASSETS | | | |
| Intangible assets | 9 | 63,104 | 51,879 |
| Tangible assets | 10 | 3,965,571 | 3,769,935 |
| | | <u>4,028,675</u> | <u>3,821,814</u> |
| CURRENT ASSETS | | | |
| Stocks | 12 | 4,315,545 | 4,764,647 |
| Debtors | 13 | 3,923,450 | 3,755,799 |
| Cash at bank and in hand | | 287,030 | 277,500 |
| | | <u>8,526,025</u> | <u>8,797,946</u> |
| CREDITORS: amounts falling due within one year | 14 | 3,085,388 | 4,017,472 |
| NET CURRENT ASSETS | | <u>5,440,637</u> | <u>4,780,474</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>9,469,312</u> | <u>8,602,288</u> |
| CREDITORS: amounts falling due after more than one year | 15 | 348,801 | 549,128 |
| DEFERRED INCOME | 17 | 8,808 | 29,467 |
| | | <u>9,111,703</u> | <u>8,023,693</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 1,000 | 1,000 |
| Profit and loss account | 19 | 9,110,703 | 8,022,693 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 19 | <u>9,111,703</u> | <u>8,023,693</u> |

M G Dingley - Director

Date

8/12/04

Signet Armorlite Europe Limited

COMPANY BALANCE SHEET at 31 December 2003

| | Note | 2003 £ | 2002 £ |
|--|------|------------------|------------------|
| FIXED ASSETS | | | |
| Tangible assets | 10 | 2,876,692 | 2,694,564 |
| Investments | 11 | 1,512,342 | 1,512,342 |
| | | <u>4,389,034</u> | <u>4,206,906</u> |
| CURRENT ASSETS | | | |
| Stocks | 12 | 2,676,291 | 2,919,314 |
| Debtors | 13 | 2,874,089 | 2,876,295 |
| Cash at bank and in hand | | 3,715 | 2,797 |
| | | <u>5,554,095</u> | <u>5,798,406</u> |
| CREDITORS: amounts falling due within one year | 14 | 3,995,206 | 4,998,591 |
| NET CURRENT ASSETS | | <u>1,558,889</u> | <u>799,815</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>5,947,923</u> | <u>5,006,721</u> |
| CREDITORS: amounts falling due after more than one year | 15 | 348,801 | 452,298 |
| | | <u>5,599,122</u> | <u>4,554,423</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 1,000 | 1,000 |
| Profit and loss account | 19 | 5,598,122 | 4,553,423 |
| TOTAL EQUITY SHAREHOLDERS' FUNDS | 19 | <u>5,599,122</u> | <u>4,554,423</u> |

M G Dingley - Director

Date

8-10-04.

Signet Armorlite Europe Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 31 December 2003

| | Notes | 2003 £ | 2002 £ |
|--|-------|-----------|-------------|
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 21(a) | 2,937,214 | 3,239,665 |
| RETURNS ON INVESTMENTS & SERVICING OF FINANCE | | | |
| Interest received | | 61,035 | 153,109 |
| Interest paid | | (109,739) | (61,292) |
| | | (48,704) | 91,817 |
| TAXATION | | | |
| Corporation tax paid | | (612,074) | (652,010) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | |
| Payments to acquire tangible fixed assets | | (795,040) | (2,310,723) |
| Payments to acquire intangible fixed assets | | (18,876) | (57,645) |
| Receipts from sale of tangible fixed assets | | 19,066 | 5,280 |
| | | (794,850) | (2,363,088) |
| EQUITY DIVIDENDS PAID | | (150,000) | (638,978) |
| FINANCING | | | |
| Repayment of capital element of finance leases and hire purchase contracts and bank loans | | (97,702) | (1,205) |
| Bank loan | | - | 550,000 |
| | | (97,702) | 548,795 |
| INCREASE IN CASH IN THE YEAR | 21(c) | 1,233,884 | 226,201 |

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS at 31 December 2003

1. ACCOUNTING POLICIES

Accounting Convention

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards.

Basis of Consolidation

The group accounts consolidate the accounts of Signet Armorlite Europe Limited and its subsidiary undertakings drawn up to 31 December each year.

No profit and loss account is presented for Signet Armorlite Europe Limited as permitted by section 230 of the Companies Act 1985.

The results of acquired subsidiaries are consolidated from their date of acquisition, using the acquisition method of accounting.

Negative Goodwill

Negative goodwill, being the difference between the price paid for a company and the aggregate fair value of its separate net assets, is capitalised and released to the profit and loss account in the periods in which the non-monetary assets to which it relates are recovered, either through sale or depreciation.

Intangible Assets

Intangible assets acquired separately from the business are capitalised at cost. Intangible assets are amortised on a straight line basis over their estimated useful economic lives. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value based upon prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life, as follows:

| | |
|------------------------------------|---------------------------------------|
| Buildings | - 2.5% to 20% |
| Improvements to leasehold property | - 10% to 20% or lease term if shorter |
| Fixtures, fittings and equipment | - 10% to 33% |
| Motor vehicles | - 25% |
| Industrial vehicles | - 10% to 25% |

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to profit and loss on a straight line basis over the lease term.

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

1. ACCOUNTING POLICIES (CONTINUED)

Deferred taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or the right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

Deferred tax assets are only recognised where, on the basis of all available evidence, it is more likely than not that there will be suitable taxable profits from which they can be recovered. Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

Foreign Currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Group

Profits and losses of overseas subsidiary undertakings are translated into sterling at average rates of exchange during the year. The retranslation of the retained earnings of overseas operations to closing rates is dealt with as a movement on reserves.

The assets and liabilities of overseas subsidiary undertakings are translated into sterling at the rate ruling at the balance sheet date. The exchange difference on the retranslation of opening net assets is taken directly to reserves.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Goods for resale - purchase cost on a first-in, first-out basis.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Government grants

Capital grants received are credited to deferred income upon receipt, from which an annual transfer is made to the profit and loss account, calculated on the same basis as the depreciation of the related assets.

Revenue grants are credited to the profit and loss account in the same year as the related expenditure is incurred except for revenue grants in respect of research and development which are credited in the year of receipt.

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

1. ACCOUNTING POLICIES (CONTINUED)

Research & development

Research and development expenditure is written off in the period in which it is incurred.

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax. The turnover and pre-tax profit is entirely attributable to one continuing activity, the processing and distribution of ophthalmic lenses and associated products, and the manufacture of ophthalmic moulds used in the manufacture of ophthalmic lenses.

| | 2003 | 2002 |
|--|-------------------|-------------------|
| | £ | £ |
| An analysis of turnover by geographical market is given below: | | |
| United Kingdom | 12,436,263 | 12,000,172 |
| Europe and other | 6,465,608 | 7,931,347 |
| | <u>18,901,871</u> | <u>19,931,519</u> |

3. OPERATING PROFIT

| | 2003 | 2002 |
|--|----------|----------|
| | £ | £ |
| Operating profit is stated after charging/(crediting): | | |
| Auditor's remuneration - audit services | 32,600 | 30,500 |
| - non audit services | 21,887 | 15,757 |
| Depreciation - owned assets | 588,831 | 540,998 |
| Amortisation of patents | 7,651 | 5,766 |
| Exchange gain | (15,897) | (2,679) |
| Operating lease rentals - land and buildings | 183,368 | 180,676 |
| - other | 88,142 | 96,541 |
| Research and development expenditure | 224,781 | 199,549 |
| Research development grants | (15,134) | (29,920) |

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS at 31 December 2003

4. DIRECTORS REMUNERATION AND STAFF COSTS

| | 2003 £ | 2002 £ |
|---|------------------|------------------|
| (a) Employees and directors costs during the year were: | | |
| Wages and salaries | 3,460,674 | 3,353,798 |
| Social security costs | 329,941 | 309,181 |
| Other pension costs | 143,463 | 134,744 |
| | <u>3,934,078</u> | <u>3,797,723</u> |
| | 2003 No. | 2002 No. |
| (b) Average number of employees (including directors) during the year were: | | |
| Administration | 32 | 29 |
| Selling and marketing | 34 | 29 |
| Stores and distribution | 28 | 31 |
| Processing | 114 | 108 |
| | <u>208</u> | <u>197</u> |
| | 2003 £ | 2002 £ |
| (c) Directors' Emoluments | | |
| Emoluments (including benefits in kind and excluding pension contributions) | <u>517,261</u> | <u>617,751</u> |
| Company contributions paid to money purchase pension scheme | <u>57,859</u> | <u>55,934</u> |
| | 2003 No. | 2002 No. |
| Members of money purchase pension schemes | <u>5</u> | <u>5</u> |

The emoluments of the highest paid director were £175,418 (2002: £218,236), and company contributions paid to his money purchase pension scheme were £20,634 (2002: £19,777).

5. INTEREST PAYABLE

| | 2003 £ | 2002 £ |
|---------------------------------------|----------------|---------------|
| Bank overdraft | 81,120 | 61,292 |
| Finance charges payable on bank loans | 28,619 | - |
| | <u>109,739</u> | <u>61,292</u> |

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS at 31 December 2003

6. INTEREST RECEIVABLE

| | 2003 | 2002 |
|---|---------------|----------------|
| | £ | £ |
| Bank interest | 2,875 | 6,626 |
| Interest receivable from group undertakings | 57,985 | 146,483 |
| Other | 175 | - |
| | <u>61,035</u> | <u>153,109</u> |

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

| | 2003 | 2002 |
|---|----------------|----------------|
| | £ | £ |
| a) Analysis of tax charge in year: | | |
| UK corporation tax | 436,174 | 492,830 |
| Adjustments in respect of prior periods | (118,478) | 1,974 |
| | <u>317,696</u> | <u>494,804</u> |
| Overseas tax | 108,717 | 46,849 |
| | <u>426,413</u> | <u>541,653</u> |
| Deferred taxation (note 7d) | (19,030) | (34,225) |
| | <u>407,383</u> | <u>507,428</u> |

b) Factors affecting tax charge for year:

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are reconciled below:

| | | |
|---|------------------|------------------|
| Profit on ordinary activities before taxation | <u>1,581,420</u> | <u>1,932,342</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%) | 474,426 | 579,703 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 49,789 | 62,328 |
| Capital allowances in excess of depreciation | 15,830 | 26,155 |
| Utilisation of capital losses brought forward | - | (118,412) |
| Short term timing differences | 4,624 | (4,497) |
| Non-qualifying depreciation and amortisation | - | (5,598) |
| Adjustments to tax charge in respect of previous periods | (118,256) | 1,974 |
| | <u>426,413</u> | <u>541,653</u> |

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

c) Factors that may affect future tax charges

The group has surplus trading losses carried forward of £4,288,127 (2002: £4,171,491). A deferred tax asset of £1,296,438 (2003 : £1,251,447) has not been recognised in respect of these losses due to uncertainties as to the quantum of future suitable taxable profits.

d) Deferred taxation

Group:

| | 2003 | 2002 |
|--------------------------------|-----------------|-----------------|
| | £ | £ |
| Accelerated capital allowances | (52,543) | (33,490) |
| Other timing differences | (14,067) | (14,090) |
| Deferred tax asset (note 13) | <u>(66,610)</u> | <u>(47,580)</u> |

Company:

| | 2003 | 2002 |
|--------------------------------|-----------------|-----------------|
| | £ | £ |
| Accelerated capital allowances | (41,934) | (25,934) |
| Other timing differences | (3,750) | (3,750) |
| Deferred tax asset (note 13) | <u>(45,684)</u> | <u>(29,684)</u> |

The movement on the deferred tax asset is as follows:

| | Group | Company |
|--|-----------------|-----------------|
| | £ | £ |
| At 1 January 2003 | (47,580) | (29,684) |
| Deferred tax credit in profit and loss account | (19,030) | (16,000) |
| At 31 December 2003 | <u>(66,610)</u> | <u>(45,684)</u> |

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £1,195,699 (2002: profit of £893,836).

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS at 31 December 2003

9. INTANGIBLE FIXED ASSETS

The Group

| | <i>Negative Goodwill</i> | <i>Patent</i> | <i>Total</i> |
|--------------------------|------------------------------|---------------|----------------|
| <i>Cost:</i> | £ | £ | £ |
| At 1 January 2003 | 705,586 | 57,644 | 763,230 |
| Additions | - | 18,876 | 18,876 |
| | <u>705,586</u> | <u>76,520</u> | <u>782,106</u> |
| At 31 December 2003 | 705,586 | 76,520 | 782,106 |
| | <u>705,586</u> | <u>76,520</u> | <u>782,106</u> |
| <i>Amortisation:</i> | | | |
| At 1 January 2003 | 705,586 | 5,765 | 711,351 |
| Amortisation in the year | - | 7,651 | 7,651 |
| | <u>705,586</u> | <u>13,416</u> | <u>719,002</u> |
| At 31 December 2003 | 705,586 | 13,416 | 719,002 |
| | <u>705,586</u> | <u>13,416</u> | <u>719,002</u> |
| <i>Net book value:</i> | | | |
| At 31 December 2003 | - | 63,104 | 63,104 |
| | <u>-</u> | <u>63,104</u> | <u>63,104</u> |
| At 31 December 2002 | - | 51,879 | 51,879 |
| | <u>-</u> | <u>51,879</u> | <u>51,879</u> |

Patent costs are being written off in equal annual instalments over their estimated economic life of 10 years.

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS at 31 December 2003

10. TANGIBLE ASSETS

| <i>Group</i> | <i>Land and Buildings</i> | <i>Improvement to and Short Leasehold Property</i> | <i>Fixtures, Fittings & Equipment</i> | <i>Total</i> |
|---------------------|---------------------------|--|---|--------------|
| | £ | £ | £ | £ |
| Cost: | | | | |
| At 1 January 2003 | 2,635,665 | 680,267 | 6,329,564 | 9,645,496 |
| Exchange adjustment | - | 1,642 | 7,095 | 8,737 |
| Additions | 173,784 | 15,624 | 605,632 | 795,040 |
| Disposals | - | - | (207,820) | (207,820) |
| At 31 December 2003 | 2,809,449 | 697,533 | 6,734,471 | 10,241,453 |
| Depreciation: | | | | |
| At 1 January 2003 | 284,668 | 448,222 | 5,142,671 | 5,875,561 |
| Exchange adjustment | - | 1,339 | 6,264 | 7,603 |
| Charge for the year | 82,626 | 83,865 | 422,340 | 588,831 |
| Disposals | - | - | (196,113) | (196,113) |
| At 31 December 2003 | 367,294 | 533,426 | 5,375,162 | 6,275,882 |
| Net book value: | | | | |
| At 31 December 2003 | 2,442,155 | 164,107 | 1,359,309 | 3,965,571 |
| At 1 January 2003 | 2,350,997 | 232,045 | 1,186,893 | 3,769,935 |

| <i>Company</i> | <i>Land and Buildings</i> | <i>Improvement to and Short Leasehold Property</i> | <i>Fixtures, Fittings & Equipment</i> | <i>Total</i> |
|---------------------|---------------------------|--|---|--------------|
| | £ | £ | £ | £ |
| Cost: | | | | |
| At 1 January 2003 | 1,799,815 | 590,225 | 3,280,612 | 5,670,652 |
| Additions | 164,139 | 15,074 | 407,196 | 586,409 |
| Disposals | - | - | (183,405) | (183,405) |
| At 31 December 2003 | 1,963,954 | 605,299 | 3,504,403 | 6,073,656 |
| Depreciation: | | | | |
| At 1 January 2003 | - | 392,708 | 2,583,380 | 2,976,088 |
| Charge for the year | 43,772 | 77,262 | 277,645 | 398,679 |
| Disposals | - | - | (177,803) | (177,803) |
| At 31 December 2003 | 43,772 | 469,970 | 2,683,222 | 3,196,964 |
| Net book value: | | | | |
| At 31 December 2003 | 1,920,182 | 135,329 | 821,181 | 2,876,692 |
| At 1 January 2003 | 1,799,815 | 197,517 | 697,232 | 2,694,564 |

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS

at 31 December 2003

10. TANGIBLE ASSETS (CONTINUED)

Included in the amounts for fixtures, fittings and equipment above are the following amounts relating to leased assets.

| | <i>Group</i> | <i>Company</i> |
|---|--------------|----------------|
| | £ | £ |
| Cost: | | |
| At 1 January 2003 and at 31 December 2003 | 1,070,584 | 1,053,309 |
| Depreciation: | | |
| At 1 January 2003 and at 31 December 2003 | 1,070,584 | 1,053,309 |
| Net book value | | |
| At 1 January 2003 and at 31 December 2003 | - | - |

11. INVESTMENTS

| <i>Company</i> | <i>2003</i> | <i>2002</i> |
|------------------------------|-------------|-------------|
| | £ | £ |
| Cost: | | |
| At 1 January and 31 December | 1,512,342 | 1,512,342 |

Details of the investments in which the company holds more than 20% of the nominal value of any class of share capital are as follows:

| <i>Name of the Companies</i> | <i>Equity held</i> | <i>Country of Registration/ Incorporation</i> | <i>Holding</i> | <i>Proportion of voting rights and shares held</i> | <i>Nature of business</i> |
|--------------------------------------|--------------------|---|-----------------|--|---|
| Subsidiary undertaking: | | | | | |
| Signet Armorlite Europe (Holland) BV | 100% | The Netherlands | Ordinary shares | 100% | Distribution of ophthalmic lenses in Europe |
| Anglo Italian Optical Limited | 100% | United Kingdom | Ordinary Shares | 100% | Distribution of ophthalmic lenses in Europe |
| Crossbows Optical Limited | 100% | Northern Ireland | Ordinary shares | 100% | Manufacture of ophthalmic products |

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS at 31 December 2003

12. STOCKS

| | <i>Group</i> | | <i>Company</i> | |
|------------------|------------------|------------------|------------------|------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | £ | £ | £ | £ |
| Raw materials | 189,237 | 213,878 | 23,691 | 18,519 |
| Work in progress | 245,257 | 64,020 | - | - |
| Goods for resale | 3,881,051 | 4,486,749 | 2,652,600 | 2,900,795 |
| | <u>4,315,545</u> | <u>4,764,647</u> | <u>2,676,291</u> | <u>2,919,314</u> |

The difference between purchase price of stocks and their replacement cost is not material.

13. DEBTORS

| | <i>Group</i> | | <i>Company</i> | |
|---|------------------|------------------|------------------|------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | £ | £ | £ | £ |
| Trade debtors (note 14) | 2,320,208 | 2,468,784 | 1,693,672 | 1,875,371 |
| Amounts owed by subsidiary undertakings | - | - | 321,521 | 478,537 |
| Amounts owed by parent undertakings | 323,291 | - | - | - |
| Amounts owed by other group companies | 833,168 | 929,366 | 529,761 | 290,443 |
| Other debtors | 83,934 | 72,604 | 3,921 | 4,910 |
| Prepayments | 296,239 | 227,465 | 279,530 | 197,350 |
| Corporation Tax | - | 10,000 | - | - |
| Deferred taxation (note 7d) | 66,610 | 47,580 | 45,684 | 29,684 |
| | <u>3,923,450</u> | <u>3,755,799</u> | <u>2,874,089</u> | <u>2,876,295</u> |

14. CREDITORS: amounts falling due within one year

| | <i>Group</i> | | <i>Company</i> | |
|--|------------------|------------------|------------------|------------------|
| | 2003 | 2002 | 2003 | 2002 |
| | £ | £ | £ | £ |
| Bank overdraft | 140,947 | 641,207 | 140,947 | 641,207 |
| Amounts due under invoice discounting facility | - | 724,094 | - | 724,094 |
| Bank Loan | 103,497 | 97,702 | 103,497 | 97,702 |
| Trade creditors | 1,246,755 | 1,145,086 | 953,186 | 751,000 |
| Amounts due to parent undertakings | 550,564 | 119,015 | 506,366 | 89,949 |
| Amounts due to other group companies | 15,254 | 2,009 | 2,606 | 2,009 |
| Corporation tax | 257,893 | 443,554 | 311,180 | 302,803 |
| Other taxes and social security | 303,508 | 213,575 | 253,570 | 166,927 |
| Accruals | 435,132 | 600,961 | 290,465 | 348,870 |
| Amount due to subsidiary undertakings | - | - | 1,433,389 | 1,874,030 |
| Other creditors | 31,838 | 30,269 | - | - |
| | <u>3,085,388</u> | <u>4,017,472</u> | <u>3,995,206</u> | <u>4,998,591</u> |

The amounts due under invoice discounting facility are secured on the trade debtors.

The bank overdraft is secured by a floating charge on the assets of the company and is repayable on demand.

The bank loan is secured by a fixed charge over three machines held via a chattel mortgage.

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS at 31 December 2003

15. CREDITORS: amounts falling due after more than one year

| | 2003 | Group 2002 | 2003 | Company 2002 |
|-----------------|----------------|----------------|----------------|-----------------|
| | £ | £ | £ | £ |
| Bank loan | 348,801 | 452,298 | 348,801 | 452,298 |
| Trade creditors | - | 96,830 | - | - |
| | <u>348,801</u> | <u>549,128</u> | <u>348,801</u> | <u>452,298</u> |

16. LOANS

| | 2003 | Group 2002 | 2003 | Company 2002 |
|---|----------------|----------------|----------------|-----------------|
| | £ | £ | £ | £ |
| Amounts falling due: | | | | |
| In one year or less or on demand | 103,497 | 97,702 | 103,497 | 97,702 |
| In more than one year but not more than two years | 103,497 | 103,497 | 103,497 | 103,497 |
| In more than two years but not more than five years | 245,304 | 348,801 | 245,304 | 348,801 |
| | <u>452,298</u> | <u>550,000</u> | <u>452,298</u> | <u>550,000</u> |

17. DEFERRED INCOME

Government Grants

| Group | 2003 | 2002 |
|--------------------------|--------------|---------------|
| | £ | £ |
| At 1 January | 29,467 | 50,126 |
| Amortisation in the year | (20,659) | (20,659) |
| At 31 December | <u>8,808</u> | <u>29,467</u> |

18. SHARE CAPITAL

| | 2003 | 2002 |
|---|--------------|--------------|
| | £ | £ |
| Ordinary shares of £1 each | | |
| Authorised (1,000 shares) | 1,000 | 1,000 |
| Allotted, called up and fully paid (1,000 shares) | <u>1,000</u> | <u>1,000</u> |

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS at 31 December 2003

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

| <i>Group</i> | <i>Share Capital £</i> | <i>Profit and loss account £</i> | <i>Total £</i> |
|--|--------------------------------|--|--------------------|
| At 1 January 2002 | 1,000 | 7,200,183 | 7,201,183 |
| Exchange differences on retranslation of net assets and results of subsidiary undertaking | - | 36,574 | 36,574 |
| Profit for the year | - | 785,936 | 785,936 |
| At 1 January 2003 | 1,000 | 8,022,693 | 8,023,693 |
| Exchange differences on retranslation of net assets and results of subsidiary undertaking | - | 63,973 | 63,973 |
| Profit for the year | - | 1,024,037 | 1,024,037 |
| At 31 December 2003 | 1,000 | 9,110,703 | 9,111,703 |
| <i>Company</i> | | | |
| At 1 January 2002 | 1,000 | 4,298,565 | 4,299,565 |
| Profit for the year | - | 254,858 | 254,858 |
| At 1 January 2003 | 1,000 | 4,553,423 | 4,554,423 |
| Profit for the year | - | 1,045,699 | 1,045,699 |
| At 31 December 2003 | 1,000 | 5,598,122 | 5,599,122 |

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS at 31 December 2003

20. OTHER FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

Group

| | <i>Land and buildings</i> | | <i>Other</i> | |
|--------------------------------|---------------------------|----------------|---------------|---------------|
| | 2003 | 2002 | 2003 | 2002 |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| within one year | - | - | 30,157 | 14,559 |
| between two and five years | 72,270 | 70,100 | 37,173 | 37,193 |
| over five years | 113,250 | 112,290 | - | - |
| | <u>185,520</u> | <u>182,390</u> | <u>67,330</u> | <u>51,752</u> |

Company

| | <i>Land and buildings</i> | | <i>Other</i> | |
|--------------------------------|---------------------------|----------------|---------------|---------------|
| | 2003 | 2002 | 2003 | 2002 |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| within one year | - | - | 12,236 | 14,559 |
| between two and five years | 46,750 | 46,000 | 24,426 | 37,193 |
| over five years | 75,500 | 74,540 | - | - |
| | <u>122,250</u> | <u>120,540</u> | <u>36,662</u> | <u>51,752</u> |

21. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash inflow from operating activities

| | 2003 | 2002 |
|---|------------------|------------------|
| | £ | £ |
| Operating profit | 1,622,765 | 1,835,245 |
| Depreciation of tangible fixed assets | 588,831 | 540,998 |
| Amortisation of intangible fixed assets | 7,651 | 5,766 |
| Decrease /(increase) in stocks | 449,102 | (68,746) |
| (Increase)/decrease in debtors | (148,621) | 1,898,203 |
| Increase/(decrease) in creditors | 417,486 | (971,801) |
| Net cash inflow from operating activities | <u>2,937,214</u> | <u>3,239,665</u> |

Signet Armorlite Europe Limited

NOTES TO THE ACCOUNTS at 31 December 2003

21. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(b) Analysis of net debt

| | At 1 January 2003 £ | Cash flow £ | At 31 December 2003 £ |
|--|---------------------------|----------------|-----------------------------|
| Cash at bank and in hand | 277,500 | 9,530 | 287,030 |
| Bank overdraft | (641,207) | 500,260 | (140,947) |
| Amounts due under invoice discounting facility | (724,094) | 724,094 | - |
| | (1,087,801) | 1,233,884 | 146,083 |
| Bank loan | (550,000) | 97,702 | (452,298) |
| | (1,637,801) | 1,331,586 | (306,215) |

(c) Reconciliation of net cash flow to movement in net debt

| | 2003 £ | 2002 £ |
|---|-------------|-------------|
| Increase in cash in the year | 1,233,884 | 226,201 |
| Net cash flow from movement in debt and lease financing | 97,702 | 1,205 |
| Cash inflow from new bank loan | - | (550,000) |
| | 1,331,586 | (322,594) |
| Movement in net debt in the year | (1,637,801) | (1,315,207) |
| Net debt at 1 January | | |
| Net debt at 31 December | (306,215) | (1,637,801) |

22. PENSIONS

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are taken to the profit and loss account as they are incurred. There were no amounts accrued or prepaid at the year end.

23. ULTIMATE PARENT UNDERTAKING

The company is a wholly owned subsidiary of Signet Armorlite Incorporated, a company incorporated in the United States of America.

The company has taken advantage of the exemption under FRS 8 not to disclose transactions with group companies as 90% of the voting rights are held within the group.